

AR42



1966 ANNUAL REPORT

FPE - PIONEER ELECTRIC LIMITED

DIRECTORS

Benjamin W. Ball
Louis W. Cole
Thomas M. Cole
Edward W. Darby
Peter N. Jaffray
Donald E. Mathewson
Richard Noonan

OFFICERS

Louis W. Cole
Chairman of the Board

° Richard Noonan
*Vice-Chairman of the Board and
Chairman of Executive Committee*

° Benjamin W. Ball
President

° Donald E. Mathewson
Vice-President

A. Gordon Daley
Vice-President

Frank H. Ferris, Jr.
Vice-President

Harry L. Livingstone
Vice-President

John B. Thorsteinsson
Vice-President

° Edward W. Darby
Secretary and Treasurer

Alan D. Amos
*Comptroller and
Assistant Secretary*

° MEMBERS OF EXECUTIVE COMMITTEE

FPE - PIONEER ELECTRIC LIMITED

HEAD OFFICE:

101 Rockman Street, Winnipeg 19, Manitoba.

EXECUTIVE OFFICES:

19 Waterman Avenue, Toronto 16, Ontario.

TRANSFER AGENTS FOR
FIRST PREFERENCE SHARES

Canada Trust Company,
Toronto, Montreal, Winnipeg and Vancouver.

TRANSFER AGENTS FOR CLASS A SHARES

National Trust Company, Limited,
Toronto, Montreal, Winnipeg and Vancouver.

ANNUAL MEETING

November 7, 1966

FINANCIAL HIGHLIGHTS

	<u>1966</u>	<u>1965</u>	<u>1964</u>
Net sales	25,925,741	20,778,119	17,677,855
Income taxes paid or payable	1,740,180	1,601,345	1,024,630
Net earnings after taxes	1,742,505	1,237,651	965,663
Percent of sales	6.7	6.0	5.5
* Per share (class A and class B)	1.90	1.34	98½¢
Number of class A and class B shares outstanding	807,429	759,640	756,000
Dividends declared:			
1st preference shares	209,775	219,582	97,803
class A shares	122,798	113,050	56,000
Property plant and equipment net	3,701,747	3,222,807	3,327,329
Working capital as at year end	5,807,075	5,026,448	4,121,920
Average number of employees	1,400	1,200	990
Number of shareholders	2,050	2,100	2,300

* Calculated after giving effect to the payment of First Preference Share dividends.

REPORT TO SHAREHOLDERS

As will be seen from the Financial Statements, the fiscal year ended June 30, 1966, was again a year of growth for our Company, both in Sales volume and Earnings. Sales showed an increase over 1965 of \$5,147,000 or 24.7% and Earnings after taxes increased by \$643,000 or 22.7%.

During the year an extension was built on to our East York plant in Toronto, this afforded an extra badly needed 10,000 square feet of production space. We are also at present building a new plant in Vancouver. This will enable us to concentrate all our production in that area under one roof. For the past several years we have been renting production and warehouse space in three locations in Vancouver in addition to our own premises. We hope to occupy the new building early in 1967.

Construction of a new transformer plant has commenced at Granby, Quebec. This will enable us to move out of the premises which we at present rent for transformer production at that location. The new plant will give us 22,500 square feet of space with additional land for expansion as required.

The Apparatus Division is pleased to report the completion in March, 1966 of a further expansion of the Winnipeg plant to meet the unprecedented demand for large power transformers. Although the impact has not been great this past year, it will certainly show in the future earnings of the company.

Along with this new and impressive manufacturing facility, additional research and development facilities were added, making way for even more exciting developments in the future. In support of its important development program, your company joined with the National Research Council, the University of Manitoba and the Manitoba Hydro in planning and sponsoring an Extra High Voltage Symposium on the latest developments in transformer and associated equipment. This took place in September, 1966 at the University of Manitoba.

By joining in this effort with their associates, the company feels it is making a worthwhile contribution to the Canadian engineering community at this critical time in its development. The major challenge now facing your company is one of production and quality control. The problems are primarily those of man power and its skill and ability to produce ever more sophisticated products.

The Special Products Division is facing a growing market in the area of electric heat, electric heat controls and specialized products for industrial and commercial electric heating needs, where considerable progress has been made in application engineering and services.

The Distribution Products portion of our business has remained active throughout the year with a very strong demand for commercial, institutional and industrial equipment.

Housing starts in Canada have not been at an impressive level but it is our opinion that there is beginning to be a very strong demand for housing and that we perhaps can look forward to greater activity in this field of our endeavours.

During the past year, we have had capacity work loads in all of our plants and only by the acquisition of additional rented space have we been able to achieve the production rate reported. We do not foresee any lessening in demand for the most of our products in the immediate future. Indeed, we have under negotiation, an extremely high volume of business.

Your company has supplied a very large proportion of all the electrical distribution equipment for the magnificent buildings which are being erected for Expo'67. We have taken particular pleasure in this work and feel that our associations with the varied professional and construction people and the happy results thereof should affect our business during the coming years in a favourable manner.

Material shortages have been noticeable in some products and while this has not curtailed our output, it has necessitated our paying considerably higher prices for certain basic materials. Only a portion of this, of course, can be recovered in selling prices.

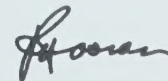
The staff of the company operates at a very high level of efficiency and the stature of our en-

gineers and marketing people stands very high with our customers. We believe that this, coupled with excellent products at competitive prices, has enabled us to occupy a very high position in the industry.

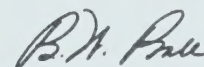
During the year due to realignments of the duties of certain of the officers of the company, changes in these positions have been made. The officers of the company are as shown on the inside cover of this Report.

At the forthcoming Annual Meeting a resolution will be made to amend the bylaws of the company to increase the number of Directors to eight from seven. A resolution will also be made to appoint Mr. J. S. Vanderploeg a Director. Mr. Vanderploeg recently retired from the office of President of Anaconda American Brass Limited. He is well known in business circles throughout Canada and will be a valuable addition to the Board.

SUBMITTED ON BEHALF OF THE
BOARD OF DIRECTORS



Vice-Chairman



President

October 3, 1966

FPE-PIONEER ELECTRIC LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1966

	<u>1966</u>	<u>1965</u>
Net sales	\$25,925,741	\$20,778,119
Profit before deducting the undernoted items	\$ 4,093,373	\$ 3,392,945
DEDUCT:		
Depreciation	378,506	310,595
Amortization of patents	5,823	5,757
Interest on long term debt	37,865	53,245
Remuneration paid to directors	188,494	129,440
Loss on disposal of fixed assets	—	54,912
	<u>610,688</u>	<u>553,949</u>
Profit before taxes on income	3,482,685	2,838,996
Taxes on income (note 2)	1,740,180	1,601,345
Net profit	<u>\$ 1,742,505</u>	<u>\$ 1,237,651</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30, 1966

Balance at beginning of year	\$ 4,417,191	\$ 3,543,308
ADD — Net profit for the year	1,742,505	1,237,651
	<u>6,159,696</u>	<u>4,780,959</u>
DEDUCT:		
Dividends declared:		
On 5½% first preference shares	209,775	219,582
On Class A shares	122,798	113,050
On Class B shares	323,649	31,136
	<u>656,222</u>	<u>363,768</u>
Balance at end of year	<u>\$ 5,503,474</u>	<u>\$ 4,417,191</u>

AUDITORS' REPORT

To the Shareholders of FPE-Pioneer Electric Limited:

We have examined the consolidated balance sheet of FPE-Pioneer Electric Limited and subsidiary companies as at June 30, 1966 and the consolidated statements of earnings and retained earnings for the year ended on that date. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the companies at at June 30, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We also examined the consolidated statement of source and application of working capital for the year ended June 30, 1966 which is presented as supplementary information and, in our opinion, the statement accounts fairly for the increase in working capital.

Winnipeg, Manitoba
September 1, 1966

(signed) Price Waterhouse & Co.
Chartered Accountants

FPE-PIONEER ELECTRIC LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET JUNE 30, 1966

ASSETS

Current assets:	1966	1965
Cash	\$ 22,300	\$ 59,642
Accounts receivable — less allowance for doubtful accounts	5,470,789	4,398,531
Due from affiliated companies	334,362	122,578
Inventories, at lower of cost or market	6,965,853	6,014,013
Prepaid expenses and deposits	175,430	559,906
Total current assets	\$12,968,734	\$11,154,670
Special 5% Refundable Tax	14,750	—
Fixed Assets:		
Property, plant and equipment (note 1)	5,831,966	4,975,234
Less — Accumulated depreciation	2,130,219	1,752,427
	3,701,747	3,222,807
Excess of cost of shares of subsidiaries over net book value	852,397	852,397
Patents	81,009	85,496
Deferred charges	29,165	103,875
	\$17,647,802	\$15,419,245

LIABILITIES

Current liabilities:		
Bank indebtedness	\$ 2,095,594	\$ 1,709,842
Notes payable — guaranteed by bank	2,000,000	—
Accounts payable	1,440,384	2,589,726
Due to affiliated company	90,608	81,732
Income taxes payable	637,852	939,472
Other taxes payable	247,363	215,174
Dividends payable	91,393	91,192
Other current liabilities and accrued expenses	531,102	396,549
Current portion of long term debt	27,363	104,535
Total current liabilities	7,161,659	6,128,222
Deferred income taxes (note 2)	66,700	—
Long term debt, less current portion (note 3)	353,169	763,032
	7,581,528	6,891,254

SHAREHOLDERS' EQUITY

Capital stock (notes 4 and 5)		
First preference shares \$50 par value, voting:		
Authorized — 194,536 shares		
Issued and fully paid — 74,536 shares	3,726,800	3,969,500
Class A and Class B shares without nominal or par value, voting:		
Authorized — 3,021,856 Class A shares		
— 1,500,000 Class B shares		
Issued and fully paid —		
228,921 Class A shares (1965-203,640)	385,450	67,760
578,508 Class B shares (1965-556,000)	450,550	73,540
	4,562,800	4,110,800
Retained earnings	5,503,474	4,417,191
	\$10,066,274	\$ 8,527,991
	\$17,647,802	\$15,419,245

SIGNED ON BEHALF OF THE BOARD

(signed) R. Noonan, DIRECTOR

(signed) E. W. Darby, DIRECTOR

FPE-PIONEER ELECTRIC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, JUNE 30, 1966

1. Property, plant and equipment:

In all cases, except the following, fixed assets are included at cost, less accumulated depreciation; the fixed assets of companies in the FPE Canada Limited group and of another subsidiary company are included at the depreciated values appearing on the companies' books which reflect independent appraisals made in 1958 and prior.

2. Income taxes:

As a result of claiming for tax purposes expenditures on research capital assets in the amount of \$169,300, a non-recurring tax saving of \$43,200 was realized this year and also income taxes payable for the year are less by \$66,700 than the provision in the statement of earnings. This amount has been set up as deferred income taxes to be taken into earnings in future periods when depreciation on these assets is reflected in the accounts.

3. Long term debt:

6¾% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1989 — \$353,169.

4. Changes during year in capital stock:

(a) During the year 4,854 first preference shares were converted into 19,416 Class A shares at the stated value of \$242,700, thus reducing the authorized first preference capital stock from 199,390 to 194,536 shares and the outstanding from 79,390 to 74,536 shares.

(b) During the year 3,000 Class A shares were issued for cash at \$9 per share in accordance with options previously granted.

(c) During the year 2,865 Class A shares at a stated value of \$47,990 and 22,508 Class B shares at a stated value of \$377,010, were issued to Federal Pacific Electric Company in payment of the \$425,000 5½% note. The values as-

signed to the shares were based on market values as at November 8, 1965.

5. Capital stock:

5½% Cumulative convertible first preference shares, Series A: Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium initially of 5½% which reduces every three years until January 15, 1973 and thereafter becomes 2%.

Class B shares:

After February 4, 1969, 55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

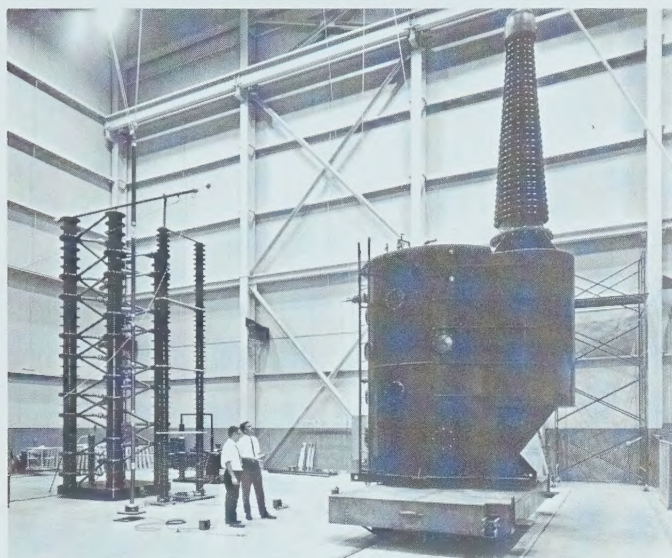
Class A shares:

Class A shares are reserved as follows: (a) 298,144 shares for the possible conversion of the 5½% cumulative convertible first preference shares, Series A, (b) 578,508 shares for the possible conversion of the currently outstanding Class B shares and (c) 15,800 shares to satisfy options granted to certain officers of the company to purchase Class A shares at \$9 per share, exercisable on or before January 22, 1971.

**FPE-PIONEER ELECTRIC LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF WORKING CAPITAL
FOR THE YEAR ENDED JUNE 30, 1966**

	<u>1966</u>	<u>1965</u>
Sources of working capital:		
Operations for the year:		
Net profit	\$ 1,742,505	\$ 1,237,651
Non-cash outlay expenses deducted in determining net profit:		
Depreciation and amortization	384,329	316,352
Deferred income tax	66,700	—
Loss on disposal of fixed assets	—	54,912
	<u>451,029</u>	<u>371,264</u>
Total from operations	2,193,534	1,608,915
Proceeds of disposal of fixed assets	6,118	131,003
Decrease in deferred charges	74,710	—
Shares issued for cash	27,000	10,800
Shares issued to parent company in payment of \$425,000 note less amount classified as long term debt \$382,500	42,500	—
	<u>\$ 2,343,862</u>	<u>\$ 1,750,718</u>
Application of working capital:		
Fixed asset additions	863,564	391,988
Expenditure on patents	1,336	1,147
Increase in deferred charges	—	67,307
Dividends declared	656,222	363,768
Non-current 5% refundable tax	14,750	—
Decrease in long term debt other than note to parent company	27,363	21,980
	<u>1,563,235</u>	<u>846,190</u>
Increase in working capital	780,627	904,528
Working capital at beginning of year	5,026,448	4,121,920
Working capital at end of year	<u>\$ 5,807,075</u>	<u>\$ 5,026,448</u>

TYPICAL ELECTRICAL EQUIPMENT PRODUCED BY PIONEER



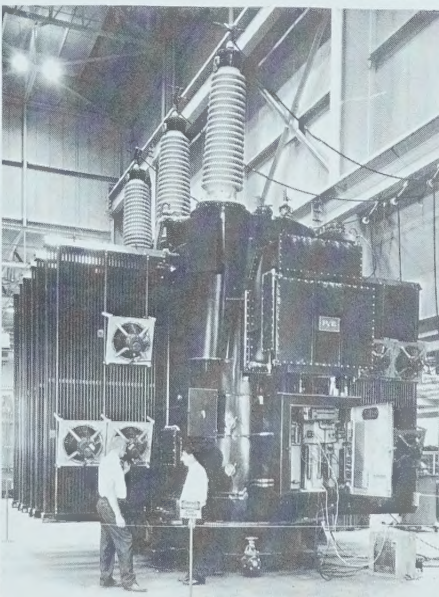
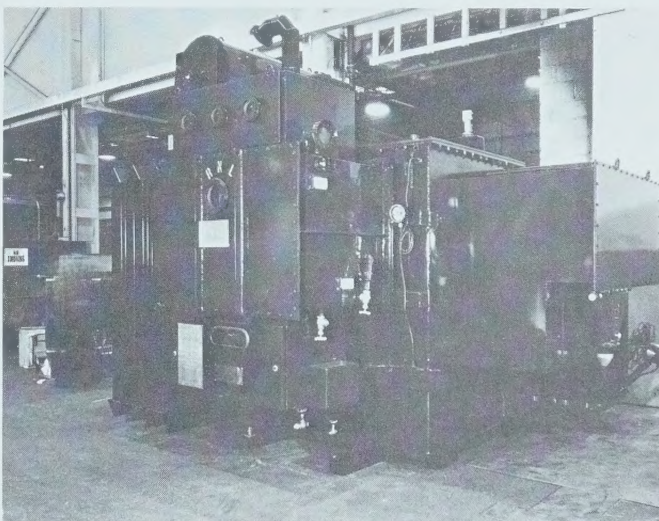
Left — Impulse test area with a test tank containing 500 kV coil and bushing and an impulse generator with a maximum voltage of 2,800,000 volts; part of Pioneer's Research & Development program which is being carried out in the new high bay addition to the Winnipeg plant.

Below — On load tap changing transformer rated 5000/6667 kVA complete with forced air cooling, high voltage on load tap changer, with by-pass switch, plus HV junction box complete with internally mounted lightning arrestors. Supplied to the City of Saskatoon, Saskatchewan.

Left below — On site installation showing 7.5 kV, 1200 amp 3 phase vertically mounted, double throw disconnect switches, supplied to the Winnipeg Hydro.

Centre below — Testing the operation of fan control equipment on a 20/26.6/33.3 MVA unit manufactured for Louisiana Light & Power Company, Louisiana, U.S.A.

Right below — Internal view of outdoor metalclad switchgear showing cells and breaker test rack with breaker in position. This equipment was manufactured for the Public Utilities Commission of Kitchener, Ontario.



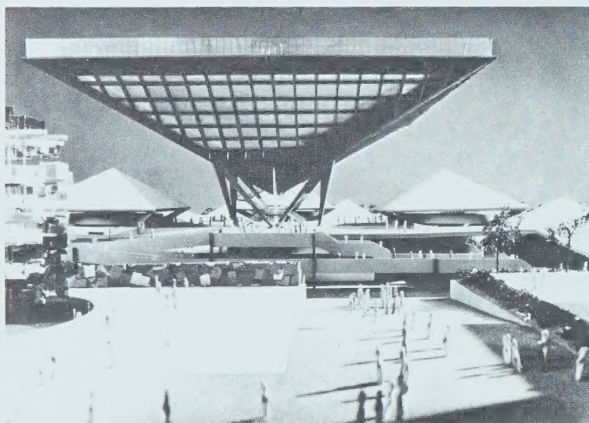
CANADA'S CENTENNIAL YEAR AND EXPO '67

FPE-Pioneer Electric Limited is playing an important role in the preparations for celebrating Canada's Centennial year in 1967.

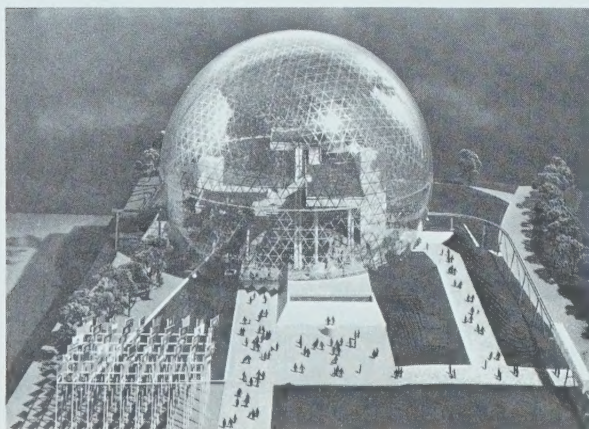
Museums, Theatres, Art Galleries and other public buildings are being constructed to mark Canada's 100th Birthday. Many of these "Centennial Projects", like the City of Winnipeg Concert Hall, will be equipped throughout with transformers and electrical distribution equipment manufactured by your company.

Expo '67 will be the focal point of much of the Centennial year activities, and FPE-Pioneer Electric Limited is providing electric apparatus to a very large number of participating nations.

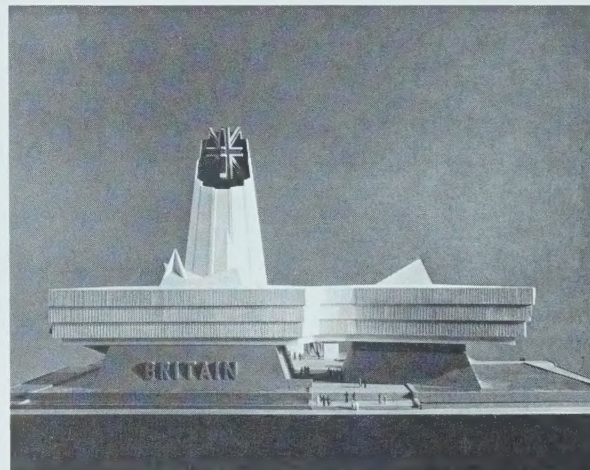
Our trade marks **FPE** and **P/E** will be found in virtually every important pavilion throughout the Expo site.



The Canadian pavilion is built on 21 acres of the largely man made Ile Notre Dame in the St. Lawrence River. The focal point is the Kitimavik, a huge inverted pyramid. Electrical power to this complex is controlled by three 15kV switchboards consisting of fusible load break switch cubicles and transformers. Secondary power is controlled through six low-voltage fusible distribution switchboards.



The United States pavilion is a geodesic structure 275 feet in diameter and more than 200 feet high. It is built of steel, plastic and aluminum. In addition to the main incoming switchgear for this striking exhibit, your company is providing both power and lighting secondary switchboards each with 1500kVA transformers and fusible QMQB switch units for the control of secondary feeder circuits.



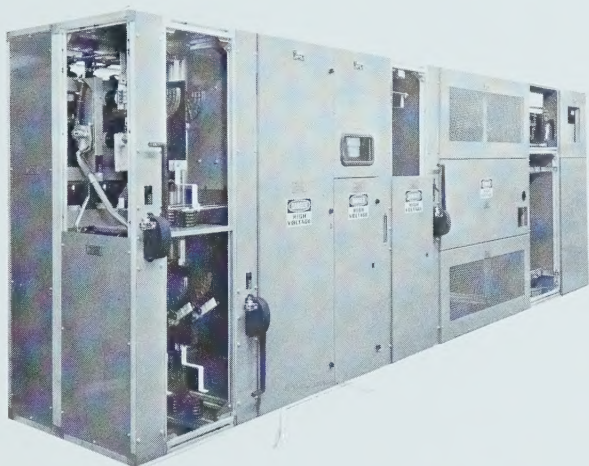
The British pavilion is already one of the landmarks of the 1967 World Exhibition, reflecting as it does the maturity, strength and aspirations of the British nation. Electrical energy to this towering building is supplied through an FPE switchboard of 15kV load break switches with special transfer provisions to alternate power sources. Moulded case circuit breakers provide protection for the many branch circuit feeders throughout the building.



Habitat '67 is a \$10,500,000. urban dwelling project that will be a prime attraction at the World Exhibition. Built of precast concrete units, it will

contain over 100 separate dwelling units of one, two, three and four bedrooms. It is intended to display the most modern concepts in apartment living.

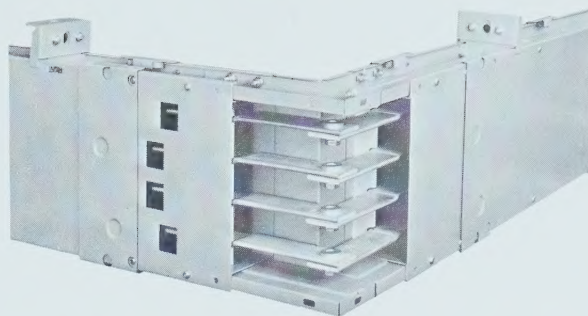
This remarkable building is completely equipped with FPE-Pioneer Electric products. Main power is received at 13.8kV at 4 primary switchboards containing fusible primary load break switches and 2350kVA of transformers. Secondary power is fed through fusible switch or moulded case breaker branch feeders to power and lighting distribution panels strategically located. Heavy branch feeders employ plug-in bus duct. Each dwelling unit contains a loadcentre with the famous FPE Stab-lok circuit breaker for convenient overload protection of the lighting and appliance circuits in each dwelling unit.



This substation is typical of many being supplied to Expo '67. Load break switch units are contained in the left-hand cubicles. The ventilated compartment near the right end contains an air-cooled transformer and the secondary power is distributed by circuit breakers housed in the two cubicles at the right end of the board.



Another typical substation housing an air-cooled transformer with a load break switch primary and circuit breaker and fusible switch branch circuit feeder protection.



Power is distributed throughout Habitat '67 by 400 ampere FPE bus duct (shown above) with provision for plug-in switch and circuit breaker devices. Distribution panelboards similar to the one shown below control power for the various sections of the structure and provide protection against overload.



Individual dwelling units are protected by circuit breaker service entrance devices like this 100 Series Stab-lok enclosure. Shown above is a new design which has been accepted by the National Design Council as a Design '67 Catalogue Product. It contains a 100 ampere main breaker, and 20 branch circuit breakers.



FEDERAL PACIFIC ELECTRIC OF CANADA, Toronto, Ontario



PIONEER ELECTRIC, Winnipeg, Manitoba.

Associated Companies



FEDERAL PACIFIC ELECTRIC COMPANY — USA, Newark 1, New Jersey.



SACE Bergamo, Italy.



CORNELL-DUBILIER ELECTRIC CORPORATION, Newark 1, New Jersey.



FEDERAL PACIFIC ELECTRIC Ges. m.b.H., St. Martin-im-innkreis, Austria.



FPE SCHALTGERATE GmbH, Karlsruhe-Durlach, Germany.



ECC (MOULDED BREAKERS) LTD., Wolverhampton, England.



FPE ELECTRIC (PTY) LIMITED, Johannesburg, South Africa



FPE AUSTRALIA PTY. LTD., Sydney, Australia.



FEDERAL ELECTRIC LIMITED, London, England.

DEC. 31, 1966

AR42

REPORT TO SHAREHOLDERS



FPE-PIONEER ELECTRIC LIMITED

F P E - PIONEER ELECTRIC LIMITED - NOTICE OF CHANGE OF ADDRESS

If your address has been changed please fill in and mail this form

For First Preference Shareholders to:

CANADA TRUST COMPANY, 110 Yonge Street, Toronto 1

For Class A Shareholders to:

NATIONAL TRUST COMPANY LIMITED, 21 King Street East, Toronto 1

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder

(Sign name exactly as it appears on share certificate)

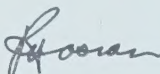
February, 1967


TO OUR SHAREHOLDERS:

The accompanying financial report indicates that your company continues to operate at a satisfactory level and that the results are favourable.

Despite expressions of softness in some industry segments, we have not felt any significant slackening of the rate of incoming orders nor do we anticipate any falling off during the balance of this fiscal year, — in fact we expect to enter the coming year with satisfactory loading.

Our new Granby facility is fully occupied and the transfer was completed with a minimum loss of production. We will occupy our new Vancouver plant beginning the third week in March.


VICE-CHAIRMAN


PRESIDENT

FINANCIAL DATA

	SIX MONTHS ENDED December 31	
	1965	1964
Net Sales	\$12,027,235	\$9,607,279
Net Earnings Before Taxes	1,574,564	1,358,471
Provision for Taxes	814,400	728,800
Net Earnings After Taxes	760,164	629,671
*Earnings Per Share82	.69

*Calculated after giving effect to the payment of first preference share dividends.
Total number of Class A and Class B shares outstanding at December 31, 1966—814,853.
The above figures are subject to audit and year-end adjustments.